

1
2 IN THE UNITED STATES DISTRICT COURT
3 FOR THE DISTRICT OF PUERTO RICO
4 Case No. 17-BK-3283-LTS

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4 In re:
5 THE FINANCIAL OVERSIGHT AND MANAGEMENT
6 BOARD FOR PUERTO RICO,

7 as representative of

8 THE COMMONWEALTH OF PUERTO RICO, et al.,

Debtors.

9 -----x

Case No. 17-BK-4780-LTS

10 -----x

In re:

11 THE FINANCIAL OVERSIGHT AND MANAGEMENT
12 BOARD FOR PUERTO RICO,
13 as representative of
14 THE PUERTO RICO ELECTRIC POWER AUTHORITY,
15 Debtor.

-----x

16 May 10, 2023

9:33 a.m.

17
18 VIDEOTAPED DEPOSITION of SHEVA LEVY,
19 held at the offices of Kramer Levin
20 Naftalis & Frankel LLP, located at 1177
21 Avenue of the Americas, New York, New York
22 10036, before Anthony Giarro, a Registered
23 Professional Reporter, a Certified Realtime
24 Reporter and a Notary Public of the State
25 of New York.

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BOB BRASCH, Concierge Tech (via Zoom)

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JOSE FERNANDEZ (via Zoom)

JESSICA MENDEZ-COLBERG (via Zoom)

RAFAEL ORTIZ MENDOZA (via Zoom)

ANTOINETTE DeCAMP (via Zoom)

LIAW HUANG (via Zoom)

1 SHEVA LEVY

2 MR. STOLZE: I believe we
3 can pass the witness.

4 MS. DALE: Is there anybody
5 else in the room who's going to ask
6 the witness any questions? Is there
7 anybody on the phone who is going to
8 ask the witness some questions?

9 MS. COMAS: Yes.

10 MS. DALE: Who's that?

11 MS. COMAS: For the record,
12 Zoe Negrón in representation of UTIER
13 and the retirement system.

14 MS. DALE: Hello.

15 MS. COMAS: Hi.

16 EXAMINATION BY

17 MS. COMAS:

18 Q Ms. Levy, I'm going to ask
19 you some questions about your work with
20 the Commonwealth pension system.

21 What was your role in the
22 Commonwealth pension-related matters?

23 A I assisted the board in
24 determination of estimates of the
25 financial impact of the plan of

1 SHEVA LEVY

2 adjustment on the Commonwealth plans.

3 And I've been assisting with estimates

4 related to PayGo costs under the

5 Commonwealth fiscal plan. And I have

6 assisted with the estimation of costs

7 associated with various other questions

8 that have come up, including various

9 bills that were proposed in the

10 legislature related to the Commonwealth

11 pension plans.

12 Q And your role in PREPA
13 pension-related matters, is it the same?

14 MS. DALE: Object to the
15 form of the question.

16 A Could you please rephrase
17 the question, please?

18 Q You're also involved, as we
19 are seeing here, in pension-related
20 matters for PREPA as an advisor to the
21 oversight board; is that correct?

22 A Yes.

23 Q Could you describe your role
24 in that matter?

25 A I've been estimating the

1 SHEVA LEVY

2 potential financial impact of the
3 proposed changes under the plan of
4 adjustment to costs associated with the
5 PREPA pension system.

6 Q From what you observed in
7 both of those processes, how does PREPA
8 ERS compare to the Commonwealth
9 retirement system?

10 MS. DALE: Object to the
11 form.

12 Q For example, in terms of
13 structure, is the PREPA ERS different
14 from the Commonwealth's?

15 A Could you rephrase the
16 question?

17 Q I can try.

18 Are you aware that PREPA ERS
19 is an independent trust?

20 A I have heard that legal
21 position has been taken.

22 Q Are you aware that PREPA ERS
23 is not part of PREPA?

24 A Yes.

25 Q Does that distinguish it

1 SHEVA LEVY

2 from the Commonwealth retirement system,
3 as far as you know?

4 MS. DALE: Objection to the
5 form. I don't know what we're
6 talking about.

7 A I was not given information
8 related to the legal prospective of the
9 Commonwealth plans.

10 Q I'll move on.

11 Did you have any role in the
12 preparation of PREPA's plan of
13 adjustment, the most recently filed
14 version?

15 A Could you please be more
16 specific?

17 Q Were you involved in the
18 development of the exhibits of the plan
19 of adjustment for PREPA regarding the
20 pension system?

21 A Yes.

22 Q Could you describe what
23 participation you had?

24 A I was asked to review the
25 changes that were made under the

1 SHEVA LEVY

2 Commonwealth plan of adjustment to the
3 Commonwealth pension plans and to
4 identify what the -- what changes to the
5 PREPA ERS pension plan would be
6 consistent with the changes made to the
7 Commonwealth pension plans.

8 Q Why were you asked to do
9 that comparison?

10 MS. DALE: What was your
11 understanding of the project? Is
12 that a better way to put it?

13 MS. COMAS: Yes. I can
14 rephrase it that way.

15 Q What was your understanding
16 of the purpose of that?

17 A My understanding is that the
18 board wanted to treat the people in the
19 PREPA ERS pension plan in the same manner
20 that they treated the people in the
21 Commonwealth pension plans.

22 Q Regarding the treatment of
23 the pension claim in the plan of
24 adjustment, did you have any role in
25 that -- in the drafting of that

1 SHEVA LEVY

2 treatment?

3 A Could you rephrase the
4 question?

5 Q Have you seen the plan of
6 adjustment?

7 Let me start there.

8 A Not in its entirety.

9 Q Were you consulted on any of
10 the language included in the plan of
11 adjustment before its filing?

12 A Yes.

13 Q Were you consulted in the
14 language of what Class 3 for pension
15 claims would be?

16 A I was asked to confirm that
17 the language in the plan of adjustment
18 was consistent with how I was
19 understanding the board wanted to treat
20 that class.

21 Q Regarding --
22 MS. COMAS: Can we pull up
23 Exhibit 52?

24 Q Can you go to -- hold on a
25 second.

1 SHEVA LEVY

2 MS. COMAS: Can you scroll
3 down? Thank you. Up. Thank you.

4 Q Ms. Levy, can you explain to
5 me the difference between the two
6 scenarios in this exhibit?

7 MS. DALE: Are you asking
8 for the difference between Column A
9 and Column B?

10 MS. COMAS: Yes, I am.

11 A Column A represents an
12 estimate of the actuarially determined
13 contributions under a number of different
14 assumptions and inputs as described in
15 this document prior to the application of
16 the provisions of the plan of adjustment
17 that is explained to me.

18 And then Column B represents
19 an estimate of the amounts that would be
20 reimbursed to PREPA ERS from the PREPA
21 PayGo trust, beginning in 2025 and on,
22 based on the provisions of the plan of
23 adjustment. And in 2024, it includes an
24 amount needed to fund pension payments
25 until that first amount is provided to

1 SHEVA LEVY

2 PREPA ERS in 2025. And then the amounts
3 prior to 2024 represent my understanding
4 of what PREPA ERS has received from the
5 Years 2018 through 2023.

6 Q Thank you.

7 You said that what is Column
8 A, the claim estimation is based on what
9 the payment would be without the
10 provisions of the plan; is that correct?

11 A The actuarially determined
12 contributions without the provisions of
13 the plan, yes.

14 Q Is that the same as the
15 actuarial liability of PREPA ERS?

16 A No.

17 Q Could you explain the
18 difference, please?

19 A The actuarial liability is
20 used to determine the actuarially
21 determined contribution. The actuarially
22 determined contribution in part reflects
23 a portion of the unfunded actuarial
24 liability to be funded in a given year.

25 Q Under this Column A also, do

1 SHEVA LEVY

2 these numbers reflect PREPA's
3 contribution debt?

4 MS. DALE: Objection to the
5 form of the question. If you
6 understand it, you could answer it.

7 A I understand that PREPA ERS
8 has made a claim related to debt from
9 PREPA. And Exhibit D is this Exhibit 52
10 identifies information that I relied on
11 from PREPA ERS to develop these
12 actuarially determined contributions in
13 Column A. I'm sorry. Appendix D, not
14 Exhibit D.

15 Q Can we go to Appendix D on
16 the Exhibit Share? If I'm understanding
17 on what here is Column B, actuarial
18 employee contribution, is that what
19 you're referring to?

20 A No.

21 Q What part of this appendix
22 is what was considered as part of that
23 debt that is claimed in the retirement
24 system?

25 A My understanding is the

1 SHEVA LEVY

2 retirement system claims that the
3 actuarially determined contribution
4 should have been the amount that was
5 contributed to the trust. And so
6 these -- these actuarially determined
7 contributions are developed to estimate
8 the claim on the basis that the ADC
9 represents the basis for the claim.

10 Q So the actuarially
11 determined contribution would be the
12 employer contributions that the
13 retirement system is claiming?

14 A For 2018 through the last
15 year of the last available Cavanaugh
16 Macdonald report, those are the amounts
17 that were determined by the system.

18 And then after that point in
19 time, those represent estimated
20 actuarially determined contributions,
21 based on -- I'm back on Column A of the
22 exhibit that we were looking at
23 originally.

24 Q In determining the ADCs, are
25 unpaid contributions included in the

1 SHEVA LEVY

2 pension asset?

3 A For the purpose of this,
4 with the exception of the -- in the
5 footnote regarding the prior year --
6 inclusion of the prior year ADC, these
7 ADC amounts in this exhibit assume that
8 prior -- yes, include prior year ADCs in
9 the plan assets.

10 MS. COMAS: Can we return to
11 the Column A on the beginning of the
12 exhibit?

13 Q What is the impact on the
14 claim amount if the assets do not include
15 the unpaid contributions?

16 MS. DALE: If you know.

17 A I don't think I have
18 information readily available to answer
19 that question.

20 Q Would you be able to answer
21 in a general way if the claim would go up
22 or down?

23 A No.

24 Q Was that ever analyzed as
25 part of this exercise?

1 SHEVA LEVY

2 A I was not asked to calculate
3 the claim on any other basis.

4 Q Does that Column A claim
5 estimate include the administrative fee
6 load?

7 A Not that I recall.

8 Q Do you have an understanding
9 why it would be included?

10 A My understanding is the
11 expected return on assets for the ADC is
12 assumed to be net of expenses. And
13 therefore, my recollection is that it's
14 not included as an adjustment.

15 Q What would be the impact of
16 having included it?

17 A I don't know.

18 Q Would you be able to say
19 generally if they would go up or down?

20 A No.

21 Q Was that ever part of your
22 analysis?

23 A No.

24 Q If we could go a little bit
25 lower on the exhibit to Footnote No. 4 --

1 SHEVA LEVY

2 A Okay.

3 Q -- where it says inside of
4 the parentheses, "ADC excludes cost of
5 funding underpayment of prior ADCs," can
6 you explain what that refers to?

7 A Yes.

8 Q Please explain.

9 A Any receivable contributions
10 that are reflected on Appendix D related
11 to preplan of adjustment periods are
12 included in the plan assets, meaning they
13 are assumed to have already been
14 contributed. And therefore, the
15 actuarially determined contribution
16 excludes the cost of funding that amount
17 prospectively.

18 Q What would be the effect of
19 including those amounts, the impact?

20 A I don't know.

21 Q Would you be able to say
22 generally if it would go up or down?

23 A I would expect it to go up.

24 Q Can we move down to Appendix
25 E?

1 SHEVA LEVY

2 A Yes.

3 Q Thank you.

4 In the third bullet in the
5 claim amount determination, if we could
6 zoom in on that, inside of that
7 parentheses where it says "including
8 receivable contributions as described in
9 Appendix D," you see that?

10 A Yes.

11 Q Can you explain what that
12 means?

13 A It's my understanding that
14 PREPA ERS's actuary in developing the
15 actuary determined contributions included
16 in the plan assets receivable
17 contributions as described in Appendix D.
18 And those are the amounts that were
19 reflected in the years noted in that
20 bullet.

21 Q Can you define receivable
22 contributions?

23 A An amount that is expected
24 to be paid in the future.

25 Q What would be the impact on

1 SHEVA LEVY

2 Column A estimates if the receivable
3 contributions were not included in the
4 asset?

5 A I don't know.

6 Q Would you be able to say
7 generally if it would go up or down?

8 A With the exception of the
9 preplan of adjustment amounts, which I
10 said before would go up, I don't know.

11 MS. COMAS: I'm going to ask
12 to pull up Exhibit 53 and go down to
13 Exhibit 5 of this exhibit.

14 Q You mentioned earlier that
15 you were not asked to calculate the claim
16 amount in any way, other than under the
17 Column A, ADC and, B, assumptions of the
18 plan of adjustment.

19 Could you explain what the
20 purpose of the calculation of this
21 exhibit was?

22 A This exhibit was developed
23 to help assess the costs beginning in
24 2024 of funding future PREPA ERS costs,
25 estimated based on the current plan asset

1 SHEVA LEVY

2 values under two scenarios. One, if the
3 prior year ADCs are funded immediately
4 and, One, if they are funded gradually
5 over time.

6 Q Thank you.

7 What is your understanding
8 of why this -- let me rephrase the
9 question.

10 Why was that the case?

11 MS. DALE: Objection to the
12 form.

13 A Could you rephrase the
14 question?

15 Q What is your understanding
16 of why you were asked to prepare these
17 scenarios?

18 A My understanding is that the
19 board was trying to assess the cost today
20 of freezing the ADC, of contributing the
21 ADC going forward.

22 Q Why does this scenario not
23 include the debt in the assets?

24 MS. DALE: Sorry.

25 Ms. Negron, what was the question?

1 SHEVA LEVY

2 Q Why does this scenario not
3 include the contribution debt in the
4 assets?

5 MS. DALE: Which scenario
6 are we talking about, please?
7 Exhibit 5?

8 MS. COMAS: Yes. Exhibit 5.

9 MS. DALE: There's two
10 scenarios; right? I'm confused as to
11 your question.

12 MS. COMAS: One second. I'm
13 just revising my notes from this
14 statement.

15 Q With regard to Scenario A of
16 Exhibit 5, why doesn't it include the
17 contribution debt?

18 A That's the instructions I
19 was given and the request from my client
20 is to what numbers they wanted to see.

21 Q With regard to Scenario B,
22 is that the same answer?

23 A Yes.

24 Q My clients, we're talking
25 about the oversight board?

1 SHEVA LEVY

2 A Correct.

3 Q Thank you.

4 MS. COMAS: We could put the
5 exhibit down. Thank you.

6 Q Regarding the PREPA PayGo
7 trust, were you involved in the
8 development of the funding structure for
9 the PREPA PayGo trust in the plan?

10 A I was involved in
11 discussions where members of the board
12 discussed it.

13 Q To questions of counsel
14 previously, you stated that the PayGo
15 trust would have a separate administrator
16 from PREPA ERS; is that correct?

17 A Yes.

18 Q Do you have an understanding
19 as to why?

20 A The way it was explained to
21 me, there were plan-related
22 responsibilities that were different from
23 PREPA ERS's current responsibilities.
24 And it was contemplated that somebody
25 else would handle those responsibilities.

1 SHEVA LEVY

2 Q Do you know what
3 responsibilities those were?

4 MS. DALE: This was
5 testified to earlier today. But if
6 you can remember what you said,
7 please say it again.

8 A Determining the amount of
9 contribution that needs to be made to the
10 PREPA PayGo trust based on the terms of
11 the plan of adjustment, reviewing the
12 amounts of reimbursements requested by
13 PREPA ERS for consistency with the
14 provisions of the plan of adjustment.
15 Those are the two that come to mind.

16 Q Do you have an understanding
17 of why a separate administration is
18 necessary for those responsibilities?

19 A No.

20 Q Were any other mechanisms
21 considered for the funding of the pension
22 reform?

23 MS. DALE: I guess you could
24 answer that yes or no.

25 A Yes.

1 SHEVA LEVY

2 Q Which ones?

3 MS. DALE: I'm just going to
4 caution the witness that if
5 considerations about other mechanisms
6 that were considered for the funding
7 of pension reform were as a result of
8 communications with counsel and/or
9 the board in consultation with
10 counsel, then you should not -- I
11 would direct you not to answer those
12 questions because I think it would be
13 revealing either deliberative process
14 or potentially work product. But if
15 you have knowledge of other
16 considerations that were thought
17 about that don't relate to either
18 counsel for those communications,
19 then you could answer the question.

20 A I'm going to decline to
21 answer that question.

22 Q I'm sorry.

23 Can you repeat?

24 MS. DALE: She's not going
25 to answer that question because it

1 SHEVA LEVY

2 relates to communications with
3 counsel.

4 MS. COMAS: So the question
5 was which ones. And that's what's
6 not going to be answered?

7 MS. DALE: Yes.

8 Q Did you analyze whichever
9 mechanisms were considered?

10 A I don't recall.

11 Q As part of the plan of
12 adjustment, the PayGo trust was created
13 for the sole benefit of PREPA ERS.

14 Do you understand what that
15 entails?

16 MS. DALE: Object to the
17 form.

18 A Could you rephrase the
19 question?

20 Q What does it mean that the
21 PREPA PayGo trust is created for the sole
22 benefit of PREPA ERS?

23 A My understanding is that the
24 trust was created to reimburse PREPA ERS
25 for pension payments in accordance with

1 SHEVA LEVY

2 the provisions of the plan of adjustment
3 and for no other purpose.

4 Q Does the mechanism of the
5 PayGo trust presuppose that PREPA ERS
6 would pay the pension benefits first and
7 be reimbursed for them after?

8 A That is my understanding.

9 Q Do you have any
10 understanding why that is the way that
11 the mechanism was set up?

12 A That was the preference of
13 the board. I don't know that I have the
14 full picture of why they chose that --
15 why they chose that approach.

16 Q Thank you.

17 Regarding the reform of the
18 pension system, did you play a role in
19 the development of that pension reform?

20 A Could you be more specific
21 as to which reform?

22 Q The reform that's included
23 in the plan of adjustment. Give me one
24 second.

25 MS. COMAS: I have a

1 SHEVA LEVY

2 technical question for Exhibit Share
3 usage.

4 THE CONCIERGE TECH: Sure.

5 MS. COMAS: If I want to
6 mark an exhibit, I just move it to
7 the marked exhibit folder?

8 THE CONCIERGE TECH: I have
9 access to your private folder. So if
10 you like, I'll just name the folder
11 and mark the next exhibit.

12 MS. COMAS: Give me one
13 second to locate it. The one that is
14 labeled Exhibit G, pension reform,
15 inside the Fernandez folder.

16 THE CONCIERGE TECH: This
17 will be Exhibit 63.

18 (The above-referred-to
19 document was marked as Exhibit 63 for
20 identification, as of this date.)

21 Q Have you ever seen this
22 document?

23 MS. DALE: We're looking for
24 it. We only have it on the screen.

25 MS. COMAS: Okay.

1 SHEVA LEVY

2 MS. DALE: Yes. I think we
3 should access it here, I guess. It's
4 right there. So I don't know to the
5 extent that you want to manipulate
6 this.

7 THE WITNESS: I know which
8 exhibit it is.

9 MS. DALE: We're going to
10 keep going. So ask your question.
11 This is again Exhibit 63.

12 A Can you repeat the question,
13 please?

14 Q Do you recognize this
15 document?

16 A Yes.

17 Q Did you have any role in the
18 development of this document?

19 A Yes.

20 Q Could you describe that
21 role?

22 A Yes.

23 Q Let me rephrase that.
24 Please describe that role.

25 A I reviewed this document to

1 SHEVA LEVY

2 confirm that it was consistent with my
3 understanding of how the board wanted to
4 reform the pension system.

5 Q When you say how the board
6 wanted to reform the pension system, you
7 mean to make it consistent with the
8 Commonwealth pension system?

9 A As it relates to the amount
10 of -- what the individual plan
11 participants would receive, the
12 provisions that impact those amounts,
13 yes.

14 Q Were you involved in any of
15 the provisions that affect the active
16 participants of PREPA ERS?

17 A Like you said, I reviewed
18 those to confirm that they were
19 consistent with the Commonwealth pension
20 plans.

21 MS. DALE: Ms. Negron, when
22 it's convenient, we need to take a
23 break. We've been going for about an
24 hour and almost 20 minutes. So just
25 when it's convenient for you.

1 SHEVA LEVY

2 MS. COMAS: I think now
3 would actually be a convenient time
4 if the witness needs a break.

5 THE VIDEOGRAPHER: The time
6 is 5:15 p.m. We're going off the
7 record.

8 (A short recess was taken.)

9 THE VIDEOGRAPHER: The time
10 is 5:26 p.m. And we're back on the
11 record.

12 Q Can we pull up the exhibit
13 again, Exhibit 63? Can we go down to
14 page 3 of 6?

15 A Yes.

16 Q Ms. Levy, were you involved
17 in the development of the retirement
18 eligibility provisions of the proposal?

19 MS. DALE: Of the plan of
20 adjustment?

21 MS. COMAS: Of this exhibit.

22 A I was involved in
23 identifying for the board which
24 provisions would be needed to mirror the
25 eligibility provisions under the

1 SHEVA LEVY

2 Commonwealth plan of adjustment.

3 Q Can we go down to the next
4 page? Do you see the row that says
5 "elimination of minimum benefit"?

6 A Yes.

7 Q Were you involved in the
8 development of that row?

9 A I was involved in
10 identifying that this would be consistent
11 with how the Commonwealth plan of
12 adjustment treated the minimum benefit.

13 Q Would the same be true for
14 the elimination of the use of sick leave
15 to purchase credit towards a merit
16 pension?

17 A Yes.

18 Q Would the same be true for
19 the row of bonus payments?

20 A There was no funeral bonus
21 for the Commonwealth. So the board
22 provided guidance on how to handle the
23 funeral bonus. And then the same is true
24 with respect to the other aspects of that
25 row that I was -- I provided input on

1 SHEVA LEVY

2 provisions that would be consistent with
3 the Commonwealth plan of adjustment.

4 Q Would the same be true for
5 the row of employee contributions?

6 A Yes.

7 Q The same be true for the row
8 of implementation of defined contribution
9 accounts?

10 A Yes.

11 Q What is your understanding
12 of the basis for implementing defined
13 contribution accounts?

14 A Could you please rephrase
15 the question?

16 Q What is your understanding
17 of why the exhibit implements defined
18 contribution accounts for mobilized
19 employees?

20 MS. DALE: Objection to the
21 form of the question.

22 A My understanding is that
23 this is -- this treatment here of having
24 mobilized employees and PREPA employees
25 participate in the plan is consistent

1 SHEVA LEVY

2 with the treatment under the Commonwealth
3 plan of adjustment.

4 Q Is the same true for the
5 elimination of cost of living
6 adjustments?

7 A Yes.

8 Q Is the same true for death
9 benefits?

10 A Yes.

11 Q Is the same true for post
12 retirement death benefits?

13 A Yes.

14 Q Is the same true for
15 disability benefits?

16 A Yes.

17 Q Thank you.

18 Would you say that the basis
19 for establishing a defined contribution
20 plan for PREPA employees was to make it
21 consistent with the Commonwealth
22 retirement system?

23 A That is what I was told.

24 Q Is the same true of
25 eliminating all employer contributions to

1 SHEVA LEVY

2 the retirement system?

3 MS. DALE: Objection to the
4 form of the question.

5 A Could you please repeat the
6 question?

7 Q The fact that PREPA will no
8 longer be providing employer
9 contributions to this defined
10 contribution plan, is that also based on
11 making it consistent with the
12 Commonwealth retirement system?

13 A I'm not aware of PREPA
14 currently making contributions to any
15 defined contribution plan. But the
16 provision of having only employees
17 contribute to the defined contribution
18 plan is consistent with the treatment
19 under the Commonwealth plan of
20 adjustment.

21 Q What is your understanding
22 of why the board wanted to make PREPA ERS
23 consistent with the Commonwealth
24 retirement system?

25 A I don't know. That was

1
2 their policy decision.

3 MS. COMAS: I have no
4 further questions.

5 MS. DALE: Does anybody else
6 want to question the witness on
7 rebuttal or -- I don't know. More
8 questions for the witness? Looks
9 like a no. I think we could go off
10 the record then.

11 THE VIDEOGRAPHER: The time
12 is 5:33 p.m. We're going off the
13 record.

14 (Time noted: 5:33 p.m.)

15
16 -----
SHEVA LEVY

17
18
19 Subscribed and sworn to
20 before me on this _____ day
21 of _____, 2023.
22

23 -----
NOTARY PUBLIC
24
25

REDACTED

PRELIMINARY - FOR DISCUSSION

PREPA Pension Claim and Recovery

January 27, 2023



Note: PREPA ERS liquid assets are depleting. Unaddressed, available funds may be less than expected benefit payments within a year.

Pre-Decisional | Privileged and Confidential Draft | Analysis subject to Material Change | Subject to FRE Rule 408

**Exhibit
0052**

5/10/2023

Exhibit G

SUMMARY OF PENSION REFORM

**Exhibit
0063**

5/10/2023

TERMS FOR MODIFICATION OF PREPA ERS OBLIGATIONS

To avoid creating future pension liabilities and to stabilize the system for the benefit of future retirees and ratepayers, the PREPA ERS plan benefit accrual shall be frozen upon the Effective Date of the Plan of Adjustment (the “POA Effective Date”).

Following is a summary of the terms of the Plan’s freeze of further defined benefits of under the PREPA ERS.

The modifications listed herein modify the obligations of PREPA and any other government employer whose employees continue to participate in the PREPA ERS defined benefit plan to fund the benefits provided by PREPA ERS as established in regulations by the Governing Board of the Puerto Rico Electric Power Authority on July 1, 1945 and all subsequent amendments through the POA Effective Date, and are to be adhered to in the administration of PREPA ERS benefits by PREPA ERS. Administrative procedures not addressed below (such as rounding procedures in determining ages and service of participants) should be consistent with past practices.

PREPA employees participate under a defined benefit (DB) formula that is either supplemental to, or coordinated with, Social Security. This applies to all active participants of PREPA ERS (“Member” or “Members”), regardless of title or job classification or employer. Members will retain the benefits they have accrued up to and including the POA Effective Date; provided, however, that any future cost of living adjustments shall be eliminated pursuant to the POA, as any right to such future adjustments is not an accrued benefit and will not be an accrued benefit as of the POA Effective Date. Benefits accrued from and after the POA Effective Date shall be based on contributions and earnings in new segregated defined contribution retirement accounts under Act 106-2017 funded by employee contributions. As a result, employees will have the certainty that their contributions and investments will be safeguarded for the future, ensuring retirement security.

Definitions	
Covered Participants	These terms pertain to the freeze of DB accruals of all active participants in PREPA ERS (including Mobilized Employees as described below)
Retirement eligibility age	Retirement Eligibility Age is the age at which a member may commence receipt of a monthly pension benefit.
Retirement benefit	The Retirement Benefit is the amount of benefit payable to a member each month.
Creditable service	Total of member and previous services that is credited for a pension.
Mobilized Employees	Former PREPA employees who have transferred or current PREPA employees who will transfer to Commonwealth instrumentalities in connection with a Public Private Partnership (“P3”) transaction. Mobilized Employees shall only receive Creditable Service for periods of employment with the Commonwealth to the extent that such service is provided under applicable law, and then only through the POA Effective Date.

Average compensation	The average of the 3 highest annual base salaries, limited to \$50,000 for members hired after 1/1/1993.
-----------------------------	--

Timing	
Freeze Date	PREPA ERS pension benefit accrual freeze becomes effective upon the POA Effective Date

Provisions of the proposal											
Treatment of accumulated employee contributions	Participants retain a vested right to receive the accumulated employee contributions in accordance with the PREPA ERS plan document in lieu of the retirement, death, disability or termination benefits applicable under PREPA ERS.										
Retirement Eligibility prior to the Freeze Date	<p>Prior to the Freeze Date, participants will retain the following eligibility for retirement under PREPA ERS:</p> <ul style="list-style-type: none"> Participants hired before January 1, 1993: Age 60 or attainment of 20 years of service Participants hired on or after January 1, 1993: Age 60 with 5 years of service, age 65, 20 years of service, or attainment of age 50 with 30 years of service 										
Retirement Eligibility after the Freeze Date	<p>Beginning on the Freeze Date, participants will become eligible for retirement under PREPA ERS upon reaching the following age / service combinations:</p> <ul style="list-style-type: none"> Participants hired before January 1, 1993: <ul style="list-style-type: none"> Participants who have attained either Age 60 or 20 years of Creditable service as of the Freeze Date will be eligible to retire at any time. Participants not having attained either age 60 or 20 years of Creditable service at the Freeze Date will be eligible to retire based on age at the Freeze Date based on the following table: <table border="1"> <tr> <th>Attained Age at Freeze Date</th><th>Retirement Eligibility Age after Freeze Date</th></tr> <tr> <td>57 and up</td><td>61</td></tr> <tr> <td>56</td><td>62</td></tr> <tr> <td>55 and under</td><td>63</td></tr> </table> Participants hired on or after January 1, 1993: <ul style="list-style-type: none"> Participants who have attained age 60 with 5 years of Creditable service, age 65, or 20 years of Creditable service at the Freeze Date will be eligible to retire at any time All other participants will be eligible to retire once having either a) attained age 65 or b) the date the participant would have attained both i) 5 years of service assuming the freeze had not happened, and ii) the age based on the following table: <table border="1"> <tr> <th>Attained Age at Freeze Date</th><th>Retirement Eligibility Age after Freeze Date</th></tr> </table> 	Attained Age at Freeze Date	Retirement Eligibility Age after Freeze Date	57 and up	61	56	62	55 and under	63	Attained Age at Freeze Date	Retirement Eligibility Age after Freeze Date
Attained Age at Freeze Date	Retirement Eligibility Age after Freeze Date										
57 and up	61										
56	62										
55 and under	63										
Attained Age at Freeze Date	Retirement Eligibility Age after Freeze Date										

	<table> <tr> <td>▪ 57 and up</td><td>▪ 61</td></tr> <tr> <td>▪ 56</td><td>▪ 62</td></tr> <tr> <td>▪ 55 and under</td><td>▪ 63</td></tr> </table>	▪ 57 and up	▪ 61	▪ 56	▪ 62	▪ 55 and under	▪ 63
▪ 57 and up	▪ 61						
▪ 56	▪ 62						
▪ 55 and under	▪ 63						
Elimination of minimum benefit	The \$180 monthly minimum benefit for participants will be eliminated for participants retiring on or after the Freeze Date.						
Elimination of use of sick leave to purchase credit towards a merit pension	For separations of service or retirements occurring on or after the Freeze Date, Creditable service will be determined as of the Freeze Date and will not increase in the future. Prior to the Freeze Date, sick leave could be converted at retirement to service towards a merit annuity at a rate of 1 month for 15 days of accumulated sick leave time. After the Freeze Date, accumulated sick leave time will not be credited towards the pension benefit nor will any ability to purchase service be implemented. Applications to retire submitted prior to the plan confirmation date requesting application of sick time to purchase service will be honored.						
Bonus payments	<p>Summer and Christmas bonuses will be eliminated for retirements after the Freeze Date. One-time funeral bonus will be retained.</p> <p>Bonus payments will not be impacted for retirements occurring prior to the Freeze Date.</p>						
Employee Contributions	Employee contributions to PREPA ERS plan will cease as of the Freeze Date.						
Implementation of Defined Contribution Accounts	Mobilized employees will participate in the Commonwealth Defined Contribution (DC) accounts described under Act 106-2017 (Act 106). New DC accounts under a DC plan with the same provisions as Act 106 will be established for current PREPA employees.						
Elimination of Cost of Living Adjustments (COLAs)	<p>The COLAs that have been historically granted every three years will not be continued past the Freeze Date. Future COLAs will be eliminated. Previously granted COLAs will continue to be honored.</p> <p>Benefits that have been previously increased by historic COLAs will not be reduced and COLAs prior to the Freeze Date will be honored.</p>						
Death benefits	Terminations due to death will receive a refund of accumulated employee contributions.						
Post Retirement Death Benefits	For retirements occurring on or after the Freeze Date, the benefit will be payable as a lifetime annuity. If the participant elects at retirement to receive an annuity with a 30% survivorship benefit at the annuitant's death, the amount paid during the employee's lifetime will be the actuarial equivalent of the life annuity. The plan actuarial equivalence (i.e. mortality and interest rate) will be determined consistent with the determination of other optional forms of payment under the plan.						
Disability benefits	<p>Effective on the Freeze Date, participants who become disabled will be eligible to either:</p> <p>a. Receive a retirement benefit if the retirement eligibility criterion are otherwise met,</p>						

	<p>b. Receive a deferred pension if over 10 years of service has been accrued (payable identically to the benefits owed a vested terminated member), or</p> <p>c. Receive a refund of accumulated employee contributions</p>												
Specific implications on Retirement Benefit	<p>Retirement benefits will continue unchanged from those currently provided by PREPA ERS until the Freeze Date. Provisions for retirements occurring after the Freeze Date are as follows:</p> <p>a. Minimum benefits will no longer apply to future retirees.</p> <p>b. The freeze eliminates the ability to purchase additional service using unused sick or vacation time or by other means. Applications to retire submitted prior to the POA Effective Date requesting application of sick or vacation time to purchase service will be honored.</p> <p>c. Participants who were hired prior to January 1, 1993 who attained 25 years of Creditable Service as of the Freeze Date receive a life annuity equal to 2.5% of Average Compensation determined as of the Freeze Date times years of service at the Freeze Date (up to 30 years). If benefits are coordinated with Social Security, the benefit will be adjusted from ages 65 to 80 by reducing the benefit by \$40 per each year of Creditable Service at the Freeze Date (up to 30 years).</p> <p>d. Participants hired prior to January 1, 1993 who had not attained 25 years of Creditable Service as of the Freeze Date will receive a benefit of 1.5% of Average Compensation determined as of the Freeze Date per year of Creditable Service as of the Freeze Date plus an additional 0.5% of Average Compensation determined as of the Freeze Date per year of Creditable Service as of the Freeze Date beyond 20 years. If the commencement date of the member's benefit is prior to age 60, the benefit shall be the actuarial equivalent to the age 60 benefit.</p> <p>e. Participants hired on or after January 1, 1993 who attained 30 years of service as of the Freeze Date will receive a benefit equal to 75% of the Average Compensation determined as of the Freeze Date. The 75% factor will be further reduced for retirements prior to age 55 are as follows:</p> <table border="1"> <thead> <tr> <th>Age at retirement</th><th>Benefit Multiplier</th></tr> </thead> <tbody> <tr> <td>50</td><td>62.5%</td></tr> <tr> <td>51</td><td>65.0%</td></tr> <tr> <td>52</td><td>67.5%</td></tr> <tr> <td>53</td><td>70.0%</td></tr> <tr> <td>54</td><td>72.5%</td></tr> </tbody> </table> <p>f. Participants hired on or after January 1, 1993 who had not attained 30 years of Creditable Service as of the Freeze Date will receive a benefit of 1.5% of Average Compensation determined as of the Freeze Date per year of Creditable Service as of the Freeze Date plus an additional 0.5% of Average Compensation determined as of the Freeze Date per year of Creditable Service as of the Freeze Date beyond 20 years. If the commencement date of the member's benefit is prior to age 60, the benefit shall be the actuarial equivalent to the age 60 benefit.</p>	Age at retirement	Benefit Multiplier	50	62.5%	51	65.0%	52	67.5%	53	70.0%	54	72.5%
Age at retirement	Benefit Multiplier												
50	62.5%												
51	65.0%												
52	67.5%												
53	70.0%												
54	72.5%												

Funding Structure	<p>Pensions will continue to be paid from the current pension trust (i.e. PREPA ERS). The funding structure of PREPA ERS will shift from a funded model to pay-as-you-go (PayGo). PREPA ERS will be reimbursed for PayGo payments to the extent provided in the Plan with funds sufficient to do so that PREPA will contribute to a new trust to be established pursuant to the PREPA plan of adjustment (the “PREPA PayGo Trust”). The assets of the PREPA PayGo Trust will be held in trust for the sole benefit of PREPA ERS.</p> <p>Assets in the PREPA Paygo Trust, including investment returns, will be used to reimburse the PREPA ERS for the annual PayGo and appropriate administrative expenses, to the extent PREPA ERS is entitled to such reimbursement under the POA. Any withdrawals from the PREPA Paygo Trust will require approval of the PREPA PayGo Trust Board of Trustees and shall only be used by PREPA ERS to fund the payment of PayGo made consistently with the DB plan as modified by the POA.</p>
Negotiated benefits in addition to PREPA-ERS benefits	
Negotiated Benefit Description	<p>Benefits will be paid to participants if their termination from active service at PREPA results from any of the following:</p> <ul style="list-style-type: none"> • Physical or mental disability • Retirement or termination upon meeting age or service requirements of PREPA ERS • Death of an active member <p>Benefits are only payable in a single instance and a participant who returns to work is not eligible to receive any additional benefit from these provisions</p>
Negotiated Benefit Amount	<ul style="list-style-type: none"> • Retirement, disability or general passing: \$7,000 • Death related to employment duties: \$20,000 • Death related to employment duties specific to a Power Line Technician or in job positions specifically identified as eligible for special annual risk compensation: \$50,000 • Physical disability resulting from employment duties: \$8,000
Impact of Freeze on Negotiated Benefit Amounts	<p>One-time benefits described under this formula are not impacted by the pension freeze</p>